

CONTROLLER JOHN CHIANG

STATE OF CALIFORNIA

300 Capitol Mall
Sacramento, CA 95814
916.445.2636
www.controller.ca.gov

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CONTACT: GARIN CASALEGGIO
916-445-2636

Controller Chiang Says Transparency Key to Credit Market Fix

Urges Treasury Secretary to Improve Investor Confidence by Regulating Credit Default Swaps

SACRAMENTO – State Controller John Chiang today urged Treasury Secretary Henry Paulson to address the lack of transparency and oversight in the credit default swap market in order to restore investor confidence, and recommended a course of action.

In a letter to Secretary Paulson, Chiang explained that California and its local governments need functional markets to conduct their business efficiently, and the lack of transparency over an estimated \$60 trillion in privately negotiated credit default swaps is a huge barrier that will likely increase the cost of borrowing.

“I do not believe that confidence and liquidity will be restored to the credit markets until the Credit Default Swap market is addressed in a clear and comprehensive manner,” Chiang said. “California could be a major beneficiary of this improved confidence.”

A copy of Controller Chiang’s [letter](#) is available here.

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